

MINUTES
ORLANDO UTILITIES COMMISSION
November 9, 2010
2:00 P.M.

Present:

COMMISSIONERS:

Katie Porta, President
Maylen Dominguez Arlen, First Vice President
Dan Kirby, Second Vice President
Craig McAllaster, Commissioner
Mayor Buddy Dyer

Kenneth P. Ksionek, General Manager & Chief Executive Officer
Jan Aspuru, Clint Bullock, Alvin Frazier, Roseann Harrington, Byron Knibbs,
Denise Stalls, Robert Teegarden, Vice Presidents
John H. Hearn, Vice President & Chief Financial Officer
W. Christopher Browder, Vice President & General Counsel
Nanci Werline, Recording Secretary

President Porta asked John Hearn to give the invocation, followed by the Pledge of Allegiance to the Flag. The Commission Meeting was called to order at 2:05 P.M.

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On a motion by Commissioner Kirby, seconded by Commissioner Dominguez Arlen and unanimously carried, the reading of the minutes of the October 12, 2010 Commission Meeting was waived and the minutes were approved.

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Clint Bullock presented a 25-Year Service Award to Brad Chase, Operations Director, Energy Delivery Business Unit.

Denise Stalls presented a 20-Year Service Award to Charles Doud, Project Engineer, Human & Environmental Resources.

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Ken Ksionek asked Carlos Woody to discuss Affirmative Item A-10 regarding the Orange Avenue Roadway Repairs – Reimbursement Agreement. Mr. Woody explained that on April 6, 2010, a 16" water main broke on Orange Avenue at the intersection of Silver Court. At the time of the water main break, the Florida Department of Transportation issued an emergency contract to Lane Construction in the amount of \$685,000 for the emergency roadway repairs. At the time of the water main break, the FDOT requested that OUC pay for the

entire construction progress. OUC objected to this request and it was later determined that the water main break was caused by sinkhole activity in the area, an "Act of God." OUC, the City of Orlando and FDOT have negotiated a final and equitable cost sharing of the roadway repairs. OUC's financial responsibility for the electric and water associated roadway repairs is \$190,825.73. This is a full and final settlement which releases and discharges OUC from any and all claims, liabilities and damages which may accrue now or in the future, and is no admission of wrongdoing on the part of OUC. The agreement may be pled as a full and complete defense in any subsequent litigation.

President Porta presented the Affirmative Items for approval. On a motion by Commissioner McAllaster and seconded by Commissioner Dominguez Arlen, the Affirmative Items were approved as follows:

1. Ratification of spot fuel procurements to the low bidders in August and September 2010 in the aggregate amount of \$27,435,681.37 as follows:

NATURAL GAS PURCHASES:

Aug. 2010	Chevron Natural Gas	\$1,276,657.91
Aug. 2010	ConocoPhillips	\$1,051,562.04
Aug. 2010	ExxonMobil Gas & Power Marketing	\$ 142,342.68
Aug. 2010	Gavilon, LLC	\$ 859,460.18
Aug. 2010	Louis Dreyfus Energy	\$ 681,360.37
Aug. 2010	Macquarie Cook Energy, LLC	\$2,370,942.67
Aug. 2010	National Energy & Trade	\$ 686,160.36
Aug. 2010	National Fuel Marketing	\$1,149,768.00
Aug. 2010	NJR Energy Services	\$1,448,590.79
Aug. 2010	Sequent Energy Management	\$1,279,836.81
Aug. 2010	Total Gas & Power	\$1,166,763.63
Aug. 2010	Virginia Power Energy Marketing, Inc.	\$1,886,278.39

NO. 2 AND NO. 6 FUEL OIL PURCHASES:

Aug. 2010	Automated Petroleum & Energy Co.	\$177,551.48
Aug. 2010	TransMontaigne Product Services Inc.	\$159,765.11
Sep. 2010	Automated Petroleum & Energy Co.	\$132,828.23
Sep. 2010	TransMontaigne Product Services Inc.	\$118,632.33

COAL PURCHASES:

Aug. 2010	ICG, LLC	\$1,862,884.52
Aug. 2010	Eastern Coal and Coke Co.	\$ 871,651.22
Aug. 2010	Eastern Coal and Coke Co.	\$ 925,190.26
Aug. 2010	Eastern Coal and Coke Co.	\$ 894,361.30
Sep. 2010	B&W Resources	\$1,861,046.57
Sep. 2010	Eastern Coal and Coke Co.	\$ 934,773.43
Sep. 2010	Eastern Coal and Coke Co.	\$ 784,304.26
Sep. 2010	Eastern Coal and Coke Co.	\$ 961,814.55
Sep. 2010	ICG, LLC	\$3,751,154.28

2. Ratification of a Capital Expenditure Estimate for the Stanton Energy Center Unit 2 Turbine Generator Bushing Repair Project in the amount of \$227,000. Ratification of a sole source Purchase Order to Siemens

Energy, Inc. to provide material, technical field assistance, inspection and test equipment in an amount not to exceed \$390,000;

3. Approval of a Capital Expenditure Estimate for the Stanton Energy Center Combined Cycle Unit B Controls System Additions Project in the amount of \$200,000. Approval of a sole source Purchase Order to GE Energy Control Solutions, Inc. for the addition of a historical data collection system and installation of the engineer and operator workstation in an amount not to exceed \$185,419, subject to final contract negotiations and OUC legal review;
4. Approval of a sole source Purchase Order to SPX Flow Technology/Copes-Vulcan to establish an initial inventory of spare parts for the Stanton Energy Center Combined Cycle Unit B Heat Recovery Steam Generator miscellaneous valves in an amount not to exceed \$260,000;
5. Approval for the General Manager & CEO to execute an FTS-2 Transportation Service Agreement with Florida Gas Transmission Company, LLC for discounted 2010/2011 winter firm capacity for a total estimated cost of \$242,000, subject to final OUC legal review and approval;
6. Approval of the Electric Distribution Construction Estimate for the relocation of overhead electric distribution facilities along Boggy Creek Road, west of South Access Road, in the Orlando service territory, required for Orange County's Boggy Creek Road Bridge Widening Project in the amount of \$117,744.21;
7. Approval of Change Request No. 1 to the Transmission Capital Expenditure Estimate for engineering, procurement and construction necessary to complete the Pershing to Grant Transmission Line Upgrade Project in the amount of \$2,024,002, increasing the total project cost to \$2,104,002. Approval of an OUC initiated scope change with conforming Change Order No. 1 to Black & Veatch to provide design engineering, permitting and construction management services for the project in an amount not to exceed \$213,180, increasing the total Purchase Order amount to \$283,180;
8. Approval of a RFP #2952 – Contract award to Brenntag Mid-South, Inc. to supply hydrofluosilicic acid to OUC's water treatment plants in the amount of \$179,886.60 for the first year of a three-year contract, beginning November 1, 2010, pending OUC legal review;
9. Approval of additional funding in the amount of \$110,000 with conforming Change Order No. 1 to DMD Consultants Inc. to continue

providing contract labor for the Fire Hydrant Painting Project through April 2013, increasing the total Purchase Order amount to \$165,000;

10. Authorization for the General Manager & CEO to execute a final Reimbursement Agreement with the Florida Department of Transportation for the Orange Avenue Roadway Repairs, pending final OUC legal approval. Approval of a Purchase Order to the Florida Department of Transportation for reimbursement of the Orange Avenue Roadway Repairs in an amount not to exceed \$190,825.72;
11. Approval of RFP #2977 – Contract award to Prosys Information Systems to provide annual Cisco Smartnet maintenance for the period of October 1, 2010 through September 30, 2011 in the amount of \$150,529.90;
12. Approval of a Capital Expenditure Estimate for the Incremental Data Storage Purchase in the amount of \$228,776, which includes a sole source Purchase Order to EMC2 Corporation to purchase data storage for existing and new software applications, in the amount of \$228,776;
13. Approval of an OUC initiated scope change and conforming Change Order No. 1 to AT&T for local and long distance telephone and internet services in the amount of \$300,000 for the period of October 1, 2010 through March 31, 2011, increasing the total Purchase Order amount to \$1,321,680;
14. Approval of an OUC initiated scope change and conforming Change Order No. 3 to Hewlett Packard Company in the amount of \$190,268.12 for Unix hardware and software maintenance for the period of November 1, 2010 through October 31, 2011, increasing the total Purchase Order amount to \$1,108,030.17;
15. Authorization for the General Manager & CEO to approve OUC's property and casualty insurance purchases in an amount not to exceed \$3,390,752;
16. Item deleted;
17. Approval of Purchase Orders to Aetna Life Insurance Company in the amount of \$17,800,000 and Express Scripts, Inc. in the amount of \$5,200,000 for a total estimated medical program cost of \$23,000,000, effective January 1, 2011;
18. Approval of a sole source Purchase Order to BP Consulting Group, Inc. to continue to provide environmental consulting services in support of upgrades to the electric and water infrastructure for a three-year period in the amount of \$300,000;

19. Approval of a Capital Expenditure Estimate for the Lake Highland Power & Water Plant Property Petroleum Remediation Project in the amount of \$952,000. Approval of a sole source Purchase Order to Handex Consulting and Remediation, LLC to complete the Remediation Action Plan for the project over a five-year period in the amount of \$900,000; and
20. Approval of a sole source Purchase Order to Konica Minolta to lease 68 copy/fax machines and to provide associated maintenance and software licenses over a five-year term in the aggregate amount of \$628,752.

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Commissioner McAllaster reported that the Audit Committee held its regular meeting on November 4, 2010 to review the activities of Internal Audit. All of the Internal Audit functions are current and there are no delinquent items. The unaudited results of operations through September 30, 2010 were also discussed.

Year-end work related to the external audit is underway. Fieldwork is scheduled to be completed before the Thanksgiving holiday. The Audit Committee will review the audited financial statements at its December 16, 2010 meeting.

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John Hearn reported Income before contributions for the twelve months ended September 30, 2010 is projected to be \$71.2 million, or approximately \$4.4 million ahead of budget. The external audit is ongoing and expected to be completed in time to bring the audited Financial Statements to the December 16, 2010 Audit Committee meeting. Net income for the month of October 2010 is \$11.2 million, which is slightly ahead of budget.

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Due to low natural gas prices, Mr. Ksionek stated that there might not always be a continuous vapor plume rising from the stacks of Stanton's coal-fired Units 1 and 2. Mr. Ksionek asked Jan Aspuru to provide an update on fuel markets and generation diversity. Mr. Aspuru explained that as a result of gas-fired Stanton B going commercial, coupled with the lower price of natural gas, OUC has increased its natural gas consumption. Mr. Aspuru reported that OUC's generation capacity is 55 percent natural gas, 41 percent coal and 4 percent nuclear. Due to a drop in natural gas prices and OUC's overall increase in natural gas generation capability, OUC is now in a position to turn down the coal-fired plants for economical reasons. Mr. Aspuru cautioned that natural gas prices are unpredictable and very volatile, and previewed a project that would allow for natural gas igniters to replace oil igniters on Units 1 and 2.

Mr. Aspuru presented two charts showing OUC's diverse and balanced generation portfolio, including fuel mix based on retail energy, which demonstrated a doubling in consumption of natural gas between 2008 and 2010.

It is expected that gas prices will stay low in 2011, but gas prices can be volatile and hard to forecast. If gas prices stay low for 2011, OUC will continue to generate a significant amount of energy from natural gas.

Commissioner Dominguez Arlen asked if the numbers that Mr. Aspuru presented are based on current or hedged natural gas prices. Mr. Aspuru responded that the numbers present spot market prices.

Mr. Aspuru explained that the Stanton Energy Center coal units are base-loaded units and minimum load and stop/start operating limitations also need to be considered in the economic dispatch decisions to avoid unacceptable wear and tear of the equipment. Commissioner McAllaster asked about the use of Number 6 oil. Mr. Aspuru responded that Number 6 oil is limited to igniter fuel for the coal units. Number 2 oil is used for back-up on gas units.

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Mr. Ksionek asked Chip Merriam to provide a legislative update. Mr. Merriam discussed the results of the November 2, 2010 midterm elections and the potential impact on OUC operations. Mr. Merriam also discussed the possible impact of the election on energy policy issues. There will be a special session of the State of Florida Legislature during the third week of November. One of the major issues to be discussed during this session will be a potential change in rulemaking, to require that, if an agency engages in rulemaking that impacts business or small government at more than \$1 million over a five-year period of time, that rule must be ratified in the legislature. This step has never before occurred in rulemaking.

Mr. Merriam explained OUC's legislative direction and also provided an overview of the Legislative Action Plan.

Commissioner McAllaster asked about cap and trade and the Environmental Protection Agency (EPA). Mr. Merriam replied that cap and trade has not been discussed since the end of July and will most likely not be resurrected. There is an attempt to reduce funding for the EPA and it has been speculated that the President will work with the legislature to create a larger platform for discussion to stop some of EPA's rulemaking.

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Commissioner McAllaster commended Mr. Woody and the rest of the staff for their work on the Orange County Roadway Repairs Reimbursement Agreement. He looks forward to the new budget year and working to enhance efficiency and effectiveness in generation and distribution systems.

Commissioner Kirby thanked the Financial Services staff for their hard work on the end of the year reports and audits. He also stressed the importance of having diversity in energy generation.

President Porta thanked staff for the work on the Purchasing Policy Workshop and having another good budget month. She also commented on the importance of OUC's generation diversity.

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Commissioner Kirby moved to adjourn the meeting and Commissioner McAllaster seconded. President Porta adjourned the meeting at 3:00 P.M.

President

Secretary